

October 21, 2024

The Honorable Thad J. Collins
United States Bankruptcy Court
Northern District of Iowa
111 7th Ave. SE
Cedar Rapids, IA 52401
Courtroom

Re: In re Mercy Hospital, Iowa City, Iowa, et al., Case No. 23-00623 (TJC)

Dear Judge Collins:

As Your Honor may know, we are the former directors of the Board of Mercy Hospital, Iowa City. Each of us was an active director on the Board during the chapter 11 cases of Mercy. We write this letter to express our support for the final fee application filed by McDermott Will & Emery as counsel to Mercy during the chapter 11 cases.

In the fall of 2022, as part of its evaluation of various strategic alternatives and contingency planning scenarios, the Board selected and retained McDermott as Mercy's restructuring counsel. This decision was based in large part on McDermott's significant experience and expertise in complex healthcare restructurings, including large chapter 11 cases involving the sale or divestiture of hospitals. It was compelling to the Board that McDermott is the only law firm in the U.S. that is ranked as a "Band 1" healthcare law firm by Chambers, a rating McDermott has exclusively received for 20 straight years.¹ McDermott's knowledge and experience in both of these fields proved invaluable to the Board and to the Debtors prior to and during the bankruptcy cases.

In the months following its initial retention in 2022, McDermott presented to the Board on numerous occasions regarding potential contingency planning scenarios for Mercy. As tensions flared in the summer of 2023 with Mercy's primary bondholder, Preston Hollow, the potential closure of Mercy Hospital was suddenly a real possibility. Given that we, as Board members, grew up with (and in some instances, were born at) Mercy Hospital as an Iowa City institution, we took this threat very seriously. McDermott navigated the Board through these troubled waters, with Board meetings on almost a weekly basis, to ensure that the Board received comprehensive legal advice regarding all of their available alternatives. This effort accelerated with the filing of a receivership action by Preston Hollow, which meant an emergency bankruptcy filing and immediate re-engagement with the University of Iowa as stalking horse bidder. Getting this done in a matter of two weeks, was a monumental effort amongst not only McDermott, but also Nyemaster Goode, P.C. as local counsel, and ToneyKorf Partners, LLC as interim management.

The chapter 11 cases were no less contentious, and it still remained unclear whether Mercy Hospital could weather the storm. During the chapter 11 cases, the Board met regularly with McDermott attorneys, regarding the status of negotiations with the University, the bondholders, and the newly-formed Official Committee of Unsecured Creditors. At each stage of the chapter

¹ See Chambers and Partners, Healthcare in Illinois, USA Guide 2024, McDermott Will & Emery, available at <https://chambers.com/department/mcdermott-will-emery-llp-healthcare-usa-5:62:12471:1:4384>.

11 cases, McDermott kept the Board fully apprised, which allowed the Board to continue to make critical decisions that were in the best interests of the Debtors, the estates, and creditors. The Creditors' Committee focus was on the Foundation cash, and given the intricate and delicate issues, McDermott's non-profit lawyers provided invaluable assistance during that time. In addition, McDermott led the sale process, including corporate advice, antitrust advice, regulatory advice, pension counsel and other key practice areas of focus necessary for a comprehensive restructuring. Importantly, the Board's Finance Committee reviewed and approved the hospital's budget report (which included both McDermott and other consultant fees) each month during the chapter 11 cases and recommended to the Board that each of them be approved. Following such recommendation, the Chairman of the Board also reviewed and signed off on McDermott's invoices and fee applications, which were subsequently (and unanimously) approved by the Board.

In our opinion, McDermott's expertise, knowledge, and experience in both complex restructurings and healthcare were critical to the Debtors' success in these chapter 11 cases. *First*, the McDermott restructuring and healthcare teams were instrumental in negotiating, documenting, and consummating the Debtors' sale of substantially all of their assets to the University to the benefit of all patients and local Iowa residents served by Mercy, as well as Mercy's employees. *Second*, unsecured creditor recoveries provided for in the Debtors' confirmed chapter 11 plan, particularly those allotted for the benefit of Mercy's pensioners, would not have been possible without the efforts of McDermott. *Finally*, it is our opinion that, without McDermott's assistance prior to and during the chapter 11 cases, Mercy would have been either forced into receivership or forced to close on an expedited basis to the detriment of its patients, local Iowa residents, and the surrounding community. As such, it is our view that the successful outcome of the chapter 11 cases, as well as the care and safety of patients at Mercy, would have been significantly jeopardized, but for McDermott's efforts prior to and during the chapter 11 cases.

Accordingly, we submit this letter in support of the McDermott's final fee application and believe that the fees and expenses requested therein are not only reasonable but more than justified, given the skill, expertise, and professionalism exhibited by McDermott during the chapter 11 cases and the incredible results achieved by McDermott for the benefit of the Debtors and their estates, creditors, and patients.

[Signatures on next page]

Sincerely,

The Former Directors of the Board
Mercy Hospital, Iowa City, Iowa

Signed by:



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Thomas Clancy, PhD

Signed by:



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Mary Westbrook

Signed by:



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Sister Helen Marie Burns, RSM

Signed by:



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Sister Linda Bechen, RSM

Signed by:



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Sister Rita Marie Specht, RSM

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Steve Anderson

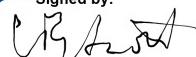
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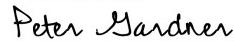
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Chris Scott, MD

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Peter Gardner